



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

### Cedar City Field Office

176 East DL Sargent Drive

Cedar City, UT 84720

Telephone (435) 586-2401

FAX (435) 865-3058

*m/001/045*  
**RECEIVED**

DIV. OF OIL, GAS & MINING

**In Reply Refer To:**

UT-042

3809: UTU-72232

UTU-79716

**Certified Mail: # 7002 0860 0007 1304 8994**  
**Return Receipt Requested**

December 12, 2002

Mr. Dominique Merz  
c/o Knightsbridge Asset Management  
660 Newport Center Drive, Suite 460  
Newport Beach, CA 92660-6405

Dear Mr. Merz:

This letter is in regard to Gemstone Mining Inc.'s (GMI) Red Emerald Mine located in the southern Wah Wah Mtns., Beaver County, Utah. The mine site is located entirely on BLM-managed lands administered through the Cedar City Field Office. The mine was permitted as a large mine under State of Utah, Division of Oil, Gas, and Mining rules (file number M/001/045), and as a plan of operations under BLM regulations (file number UTU-72232). Reclamation of the mine site was initiated in late 2001, with the understanding that reclamation of the access road and mine office area would be deferred pending approval of a proposed new plan of operations for portions of the upper mine area by Red Emerald Inc (REI). REI submitted a plan of operations to this office in December, 2001 (file number UTU-79716), but to date has neither finalized details of that plan nor followed through on any transfer in reclamation responsibility for the deferred reclamation work.

With no clear indication of when, if ever, the completion of the pending REI plan of operation or the transfer of the remaining reclamation liabilities at the site from GMI to REI might take place, this office can no longer support postponing full reclamation of the mine site. To avoid a situation of non-compliance for failure to timely reclaim the site, it will be necessary for GMI to either proceed and complete reclamation for all site

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disturbances covered by their reclamation plan, or to transfer all remaining reclamation responsibility to another party subject to the requirements of the State of Utah, Division of Oil, Gas, and Mining (DOGM). I have consulted with DOGM on this decision and they are in agreement. I am requesting that you contact me within 15 days from the receipt of this letter and indicate whether GMI will be proceeding with full site reclamation or with a reclamation liability transfer.

If GMI decides to proceed with site reclamation, please have the reclamation contractor contact me directly so that I can assure the work performed will satisfy the regulatory requirements for eventual reclamation liability release. I will arrange any coordination necessary with the appropriate DOGM personnel. I can be reached at the above address and by telephone at 435-865-3040.

Sincerely,



Ed Ginouves  
Mining Engineer

cc: Tom Munson, DOGM  
Clint Christensen, CMS, 599 N 800 W, #6, Cedar City, UT 84720  
Red Emerald Inc., 3005 W Highway 6, Delta, UT 84624